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May 22, 1998

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MAY 22 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

96-45
Magalie Roman Salas
Secretary
Federal Communications Commission
Washington, D.C. 20554

Re: Proposed Revision of Maximum Collection
Amounts For Schools and Libraries And
Rural Health Care Providers Public Notice
CC Docket 96-48, DA 98-872

Dear Ms. Salas:

Herewith transmitted, on behalf of United States Cellular Corporation, are an original and five copies of its Comments on the above-referenced public notice. These comments are being filed in paper form.

In the event there are any questions concerning this matter, please communicate with this office.

Very truly yours,


Peter M. Connolly

Enclosure
cc (w/3 copies): Sheryl Todd
ITS

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MAY 22 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

UNITED STATES
CELLULAR
CORPORATION
MAY 22, 1998

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of

Proposed Revision of Maximum Collection)
Amounts for Schools and Libraries and) CC Docket 96-48
Rural Health Care Providers Public Notice) DA 98-872

96-45

**COMMENTS OF UNITED STATES
CELLULAR CORPORATION**

United States Cellular Corporation ("USCC") hereby files its Comments on the issues discussed in the FCC Common Carrier Bureau's May 13, 1998 public notice in the above-referenced docket.¹ USCC, a subsidiary of Telephone and Data Systems Inc. ("TDS"), owns and/or operates cellular systems in 100 RSA and 43 MSA markets. Along with other Commercial Mobile Radio Service ("CMRS") licensees, USCC began making federal "Universal Service" support payments in January, 1998. USCC obviously has a large stake in any action the FCC may take concerning universal service payment levels.

**I. The Commission Should Reconsider And Limit
The Payments Which CMRS Carriers Must
Make Into "Universal Service" Funds**

The Common Carrier Bureau (the "Bureau") in its public notice asks comment on whether

¹ See *Public Notice*, "Common Carrier Bureau Seeks Comment on Proposed Revision of 1998 Collection Amounts For Schools and Libraries and Rural Health Care Universal Service Support Mechanisms," DA 98-182-872, released May 12,

it should limit its 1998 collections for schools, libraries, and rural health care facilities to \$524 million in each of the third and fourth quarters of this year for the "schools and libraries" fund, resulting in a total funding level of \$1.67 billion for this calendar year and limit its collections for rural health care facilities to \$25 million for each quarter, resulting in a total of \$100 million being collected for that purpose in this year.

The Commission points out in the *Revision Notice* that these amounts will be less than the \$2.2 billion and \$400 million annual "caps" it previously specified for those support mechanisms in 1997.² We would also note that this projected collection amount for schools and libraries is \$170.4 million lower than the amount proposed to be collected for schools and libraries (\$694.4 million) in the Commission's third quarter "contribution factor" public notice also issued on May 13, 1998.³

As is explained in the *Revision Notice* the Bureau has proposed revising downward the amounts to be collected for schools and libraries in order to ensure that the amounts to be paid by interexchange carriers are covered by reductions in the "access charges" such carriers must pay to local exchange carriers. See *Revision Notice*, p. 3 n. 3.

It is striking, however, that the *Revision Notice* does not mention the impact of its proposals on CMRS carriers.

² See Federal-State Joint Board on Universal Service, C.C. Docket 96-45, *Report and Order*, 12 FCC Rcd 8776, 9141 (1997).

³ *Public Notice*, "Proposed Third Quarter 1998 Universal Service Contribution Factors Announced CC Docket No. 96-45," DA 98-856, released May 13, 1998 ("*Contribution Factor Notice*").

The fact is that even if the reductions proposed in the *Revision Notice* are adopted, the payments made in the third quarter by CMRS carriers are still going to increase.

The *Contribution Factor Notice* proposes an increase in the percentage of a carriers' intrastate, interstate, and international "billed revenues" to be paid for schools, libraries and rural health care providers from .76% to 1.54%.⁴ USCC estimates that this will mean an increase in its monthly payments in the third quarter of 1998 of approximately 40%. If the proposals in the *Revision Notice* are adopted, USCC's monthly payment would drop slightly, but would still represent an appreciable increase over its second quarter payments.

USCC wishes to call the FCC's attention to the fact that these universal service payments have become a large and growing burden to CMRS carriers and their customers, to whom the cost is "passed through."⁵

In fact, the universal service payments have become the equivalent of a sizable national "sales tax" on CMRS service. Moreover, it is a tax whose percentage amount is not set by law. Rather, it is determined in part by requests for subsidized services made by schools, libraries, and rural health care providers, and in part by the Commission's arcane subsidy system for "high cost"

⁴ There will be a slight decrease in the percentage of interstate and international billed revenues to be paid for low income and high cost support from 3.19% to 3.08%.

⁵ We also point out that complying with the various requirements of the universal service system, including filing worksheets, expensive computer billing upgrades, processing payments, and accounting for possible refunds to school systems, libraries and rural health care facilities, involves considerable internal unreimbursed administrative costs for all CMRS carriers, including USCC.

telephone companies and low income telephone subscribers.

USCC believes that the FCC must take a hard look at this system as it is applied to CMRS carriers and establish limits on the percentage "contribution factors" applied to CMRS carriers before these costs simply explode.

While USCC applauds the FCC's proposal to cap the overall amount to be collected for schools and libraries in third and fourth quarters of 1998 at a level smaller than that called for in the *Contribution Factor Notice*, that capped amount, \$524 million, is still almost \$200 million per quarter higher than the amount collected (\$325 million) in each of the first two quarters of 1998.

Moreover, the *Revision Notice* says nothing about what will be collected in 1999 and beyond and we can only assume that the amounts to be collected will be much higher in those years, as more and more school systems, library systems, and rural health care facilities file applications with USAC and its subsidiaries and qualify for "inside wiring" and other subsidies and permanently subsidized rates.

Moreover, the FCC has recently suggested that the federal government will assume a larger share than the 25% share of the "high cost" and "low income" cost support systems which it presently pays.⁶ To CMRS carriers, that would mean increases in their monthly payments as the money to pay for an increased federal support level can only come from other telecommunications carriers and, more importantly, their customers.

⁶ See In the Matter of Federal-State Joint Board on Universal Service, *Report To Congress*, CC Docket No. 96-45, FCC 98-67, released April 10, 1998, ¶ 219.

Thus, it is in no way alarmist or unrealistic to note that both the "contribution factors" applicable to CMRS carries could easily double or more in the next few years.

And when the costs of state universal service funds are added,⁷ government at the federal and state level will soon be engaged in a massive social engineering effort, which could increase the bills of all CMRS customers by easily 10-15%. CMRS customers, we would remind the FCC, include mothers who buy "safety" wireless services, the elderly, students and bicycle messengers with pagers. Their costs should not be increased constantly to provide reduced price telephone services to others who fit into favored categories.

The long term impact of continuous government mandated price increases on low income wireless customers can only be to drive some and perhaps most of them off wireless networks. This of course, would occur in the name of "universal service," but of course it would undermine and not further that laudable objective.

As was noted by Commissioner Furchtgott - Roth in his Separate Statement attached to the *Revision Notice*, the increase in "contribution factors" has been the result, in large measure, of the high costs of wiring classrooms and schools to the Internet. However, the main telecommunications carrier beneficiaries of that program have been and will continue to be the local exchange carriers who are the main source of Internet connections for local schools, as opposed to CMRS carriers. Rising contribution factors will only increase this lack of equity between wireline and wireless

⁷ USCC currently must make state universal service payments in the states of Oklahoma, Texas and Kansas. Many other states are currently creating such funds.

carriers.

Universal service is a subject of the greatest imaginable complexity and USCC does not propose to provide the FCC with a blueprint as to how the universal service system should be revised in these comments. Also, USCC understands and sympathizes with the FCC's desire to ensure that all American school children have access to the Internet, that rural health facilities have access to necessary information and that rural and low income telephone subscribers have reasonable rates.

However, the uncontrolled processes which have been created to implement the universal service system have begun to place insupportable burdens on CMRS carriers and their customers. If left untouched, those burdens will certainly increase to a level which is manifestly contrary to the public interest.

What is needed first is that the FCC and particularly its Common Carrier Bureau become aware that these costs as applied to CMRS carriers and their customers are not counterbalanced by access charge reductions and are thus the equivalent of an ever increasing tax. And second, it is vital that the FCC at least impose a reasonable percentage limit on the "contribution factors" to be applied to CMRS carriers for all universal service purposes.

It will probably be a necessary concomitant to such a limit that the FCC establish priorities as to how available universal service funds should be used. USCC does not here take a position on how such priorities should be implemented. Ranking the claims of school children against rural telephone subscribers is not an easy task. However, it is preferable that such priorities be established than that CMRS customers be faced for the foreseeable future with "taxes" which increase without

**UNITED STATES
CELLULAR
CORPORATION
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limit.

Conclusion

For the foregoing reasons, USCC supports the reduction in contribution factors implicitly proposed in the *Revision Notice* but asks the FCC to place a permanent limit on the contribution factors to be applied to CMRS carriers in the future.

Respectfully submitted,

UNITED STATES CELLULAR CORPORATION

By: 

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May 22, 1998

Its Attorneys